

**NORTH CENTRAL KANSAS REGIONAL
JUVENILE DETENTION FACILITY**

**FINANCIAL STATEMENT
WITH INDEPENDENT AUDITORS' REPORT**

FOR THE YEAR ENDED DECEMBER 31, 2011

**NORTH CENTRAL KANSAS REGIONAL
JUVENILE DETENTION FACILITY**

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Pottberg, Gassman & Hoffman, Chtd

INDEPENDENT AUDITORS' REPORT

Board of Directors
North Central Kansas Regional Juvenile Detention Facility
Junction City, Kansas

We have audited the summary statement of cash receipts, expenditures, and unencumbered cash balances of the North Central Kansas Regional Juvenile Detention Facility (Facility), as of and for the year ended December 31, 2011. This financial statement is the responsibility of the Facility's management. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Facility has prepared this financial statement using accounting practices prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas, which practices differ from accounting principles generally accepted in the United State of America. The effect on the financial statement of the variances between these statutory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Facility, as of December 31, 2011, or the respective changes in its financial position and changes in cash flows, where applicable, for the year then ended, on the basis of accounting described in Note 1. Further, the Facility has not presented management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

Our audit was conducted for the purpose of forming an opinion on the financial statement. The schedule of cash receipts and expenditures-actual and budget (Schedule 1 as listed in the table of contents) is presented for analysis and is not a required part of the statutory financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the

financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statement as a whole.

Pottberg, Gassman & Hoffman, Chtd.

Pottberg, Gassman & Hoffman, Chtd.
Junction City, Kansas
April 9, 2012

**NORTH CENTRAL KANSAS REGIONAL
JUVENILE DETENTION FACILITY**

**SUMMARY OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH
FOR THE YEAR ENDED DECEMBER 31, 2011**

<u>Funds</u>	<u>Beginning Unencumbered Cash Balance</u>	<u>Prior Year Canceled Encumbrances</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Ending Unencumbered Cash Balance</u>	<u>Add Outstanding Encumbrances and Accounts Payable</u>	<u>Ending Cash Balance</u>
Governmental Type Funds:							
General Fund	\$ 397,173	\$ -	\$ 1,038,469	\$ 892,096	\$ 543,546	6,544	\$ 550,090
Total Reporting Entity	<u>\$ 397,173</u>	<u>\$ -</u>	<u>\$ 1,038,469</u>	<u>\$ 892,096</u>	<u>\$ 543,546</u>	<u>\$ 6,544</u>	<u>\$ 550,090</u>
Composition of Cash:				Checking Account Certificates of Deposit			\$ 550,090
				Total Reporting Entity			<u>\$ 550,090</u>

The notes to the financial statement are an integral part of this statement.

**NORTH CENTRAL KANSAS REGIONAL JUVENILE DETENTION FACILITY
NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2011**

Note 1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

The North Central Kansas Regional Juvenile Detention Facility is a jointly governed organization created as a separate legal entity on November 23, 1992. The Facility, located in Junction City, Kansas, was organized by its members to provide a detention facility for juvenile offenders. The governing body of the facility is composed of member county representatives. The member counties are Geary, Riley, Dickinson, Marion, Morris, Cloud, Mitchell, Republic, Lincoln, Jewell, Washington, Marshall, Pottawatomie and Ottawa.

The accounting and reporting policies of the Facility relating to the financial statement and the fund and account groups included in the accompanying supplemental information conform to the cash basis and budget laws of the State of Kansas. The more significant accounting policies of the Facility are described below.

B. Fund Accounting

The Facility uses a Governmental fund to account for its financial activity.

Governmental Fund Types:

General Fund –

The General Fund is the operating fund of the Facility. This fund is used to account for all financial resources and is therefore, unrestricted. All expenditures of the Facility are paid from the General Fund.

C. Statutory Basis of Accounting

The statutory basis of accounting, as used in the preparation of this statutory basis financial statement and supplementary schedule, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract.

The Facility has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the Facility to use the statutory basis of accounting.

D. Departure from Generally Accepted Accounting Principles

The basis of accounting described above results in a financial statement presentation which shows cash receipts, expenditures, cash and unencumbered cash balances. Balance sheets that would have shown non-cash assets such as receivables, inventories, and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. Capital assets that account for any land, buildings and equipment owned by the Facility are not presented in the financial statement. Also, any long-term debt such as

**NORTH CENTRAL KANSAS REGIONAL JUVENILE DETENTION FACILITY
NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2011**

Note 1. Summary of Significant Accounting Policies (continued)

D. Departure from Generally Accepted Accounting Principles (Continued)

general obligation bonds, revenue bonds, capital leases, temporary notes, and compensated absences are not presented in the financial statement.

E. Budgetary Control

The Facility's interlocal cooperation agreement establishes the fiscal year as the twelve-month period beginning January 1. The Facility's management prepares a budget of estimated cash receipts and expenditures annually for the ensuing fiscal year. The annual operating budget is adopted, but is for internal management use only. State of Kansas statutes do not require the facility to prepare or submit a legal budget.

Spending, which is not subject to the legal budget requirement, is controlled by federal regulations, other statutes, or by use of internal spending limits established by the governing body. A comparison of actual cash receipts and expenditures and budget amounts is presented on the Schedule of Cash Receipts and Expenditures – Actual and Budget in the supplemental information.

F. Use of Estimates

The preparation of the financial statement in conformity with the statutory basis of accounting requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

G. Compensated Absences

The Facility's policy is to recognize the costs of compensated absences when actually paid.

The Facility's policy regarding vacation leave allows employees to accumulate vacation time based on years of continuous service as follows:

Years of Continuous Service	Vacation Days Accrued	Maximum Accrual
One or Less	0.75 days/mo.	9 days
1 to 10	1.25 days/mo.	20 days
10 to 15	1.50 days/mo.	24 days
Over 15	2.00 days/mo.	30 days

Vacation leave is earned by the month. Upon termination of employment an employee is entitled to pay for unused accrued vacation leave. The facility estimates the dollar amount of accrued vacation at December 31, 2011 at \$19,013.

Employees with one year or less of service are allowed one half day per month of sick leave with a maximum accrual of six days. Employees with more than one year of service are allowed one day of sick leave per month of employment and may accumulate up to 90 days of unused sick leave. Upon termination accumulated sick days are lost and no payment is made to the employee.

Note 2. Deposits

K.S.A. 9-1401 establishes the depositories which may be used by the Facility. The statute requires banks eligible to hold the Facility's funds have a main or branch bank in the county in

**NORTH CENTRAL KANSAS REGIONAL JUVENILE DETENTION FACILITY
NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2011**

Note 2. Deposits (continued)

which the Facility is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The Facility has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the Facility's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The Facility has no investment policy that would further limit its investment choices.

Concentration of credit risk. State statutes place no limit on the amount the Facility may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the Facility's deposits may not be returned to it. State statutes require the Facility's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The Facility has not designated "peak periods." All deposits were legally secured at December 31, 2011.

At December 31, 2011, the carrying amount of the Facility's deposits was \$550,090 and the bank balance was \$570,895. The bank balance was held by one bank resulting in concentration of credit risk. Of the bank balance, \$250,000 was covered by federal depository insurance and \$320,895 was collateralized with securities held by the pledging financial institutions' agents in the Facility's name.

Note 3. Defined Benefit Pension Plan

Plan Description

The Facility contributes to the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

Funding Policy

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary for employees hired prior to July 1, 2009 and 6% of covered salary for employees hired on or after July 1, 2009. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation.

KPERS is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERS employers. The employer rate established for calendar year 2011 was 7.74%. Included in this rate is the contribution for Group Death and Disability Insurance of 1.0%. From April 1 through June 30, 2011, there was a moratorium on the collection of the premium of 1.0% of the Group Death and Disability Insurance Rate. The Facility employer contributions to KPERS for retirement and insurance for the years ending December 31, 2011, 2010 and 2009 were \$37,014,

**NORTH CENTRAL KANSAS REGIONAL JUVENILE DETENTION FACILITY
NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2011**

Note 3. Defined Benefit Pension Plan (Continued)

\$30,418 and 32,128, respectively, equal to the required contributions for each year as set forth by the legislature.

Note 4. 2010 Financial Data

The amounts shown for 2010 on Schedule 1 located in the supplemental information are included where practicable, only to provide a basis for comparison with 2011, and are not intended to present all information necessary for a fair presentation in accordance with accounting principles generally accepted in the United States of America.

Note 5. Litigation

There were no legal actions involving the Facility as of December 31, 2011.

Note 6. Risk Management

The Facility is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To insure against risk of these types of losses, the Facility has purchased commercial insurance coverage. Settled claims resulting from these risks have not exceeded commercial coverage in the past three years.

Note 7. Subsequent Events

The Facility evaluated subsequent events through April 9, 2012, the date in which the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

**NORTH CENTRAL KANSAS REGIONAL
JUVENILE DETENTION FACILITY**

SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2011
(WITH COMPARATIVE ACTUAL TOTALS FOR THE PRIOR YEAR ENDED DECEMBER 31, 2010)

	<u>2010</u>		<u>2011</u>	
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	Variance Over (Under)
<u>GENERAL FUND</u>				
Cash Receipts:				
State and County Payments	\$ 827,645	1,037,924	833,500	204,424
Interest	2,716	545	-	545
Total Cash Receipts	<u>830,361</u>	<u>1,038,469</u>	<u>833,500</u>	<u>204,969</u>
Expenditures:				
Advertising, Dues and Subscriptions	2,617	2,122	2,000	122
Accounting	10,780	11,765	11,000	765
Legal	3,511	5,812	7,500	(1,688)
General Supplies	14,097	17,793	18,000	(207)
Insurance - Property and Other	21,157	18,829	25,000	(6,171)
Insurance - Workers Comp	16,227	14,691	16,000	(1,309)
Food Service	42,549	42,558	45,000	(2,442)
Utilities	26,750	25,938	30,000	(4,062)
Telephone	4,248	5,975	4,000	1,975
Postage	1,721	2,120	2,000	120
Resident Medical / Miscellaneous	9,862	2,579	3,000	(421)
Payroll Taxes	33,138	60,351	40,000	20,351
Payroll	442,740	493,864	480,000	13,864
Repairs and Maintenance	14,005	43,387	18,000	25,387
Reimbursed Medical	1,010	175	2,000	(1,825)
Capital Outlay	28,991	30,155	4,000	26,155
Staff Training and Travel	6,283	4,175	6,000	(1,825)
KPERs Employer Contribution	30,418	37,014	30,000	7,014
Insurance - Medical	63,491	61,932	80,000	(18,068)
Uniform Rentals	8,849	10,861	-	10,861
Total Expenditures	<u>782,444</u>	<u>892,096</u>	<u>823,500</u>	<u>68,596</u>
Receipts Over (Under) Expenditures	47,917	146,373		
Unencumbered Cash, January 1	<u>349,256</u>	<u>397,173</u>		
Unencumbered Cash, December 31	<u>\$ 397,173</u>	<u>543,546</u>		